



Fact Sheet

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**IRS TREATMENT OF THIRD-PARTY INFORMATION
RELATING TO TAX EXEMPT ORGANIZATIONS**

WASHINGTON - The Internal Revenue Service follows specific procedures for handling information items received from third parties about tax-exempt organizations. These procedures ensure that the IRS operates in an unbiased and appropriate manner and that its compliance programs are not improperly influenced by outside intervention. The procedures also assure the public of the IRS's objectivity in the treatment of tax-exempt organizations. The responsibility for administering these procedures belongs to the Exempt Organizations (EO) function, part of the IRS's Tax Exempt and Government Entities Operating Division.

Information Items

An information item is any communication alleging that a tax-exempt organization is in potential noncompliance with a tax law. The IRS periodically receives information items from various sources outside the agency, including the general public, Members of Congress and other government agencies. Sometimes the IRS receives multiple referrals of the same item from different sources. For example, the IRS may receive copies of newspaper articles about a particular organization from concerned individuals and, at the same time, receive copies of the same article from Members of Congress who are also concerned about the organization or are forwarding the concerns of constituents.

The IRS also receives information items from other parts of the IRS, including other parts of EO. For example, an approved application for tax exemption occasionally results in a referral of the entity to the EO examination function to consider whether a future examination is warranted.

Research and Evaluation

Regardless of which IRS office receives an information item, all items are sent to the centralized EO Classifications Office in Dallas, Texas. Analysts in this office conduct basic research to confirm the identity of the referred organization and enter the information into a central database so the status of the referral can be tracked throughout the process. Analysts also issue an acknowledgement letter to any non-IRS source making the referral, unless it was made anonymously.

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An EO Return Classification Specialist, an experienced career revenue agent, then performs a thorough technical review of the information. The agent uses a “reasonable belief” standard to evaluate the facts of the information item and to determine whether the IRS should take further action. The facts in the information item must create a reasonable belief that the allegations may be true, when considered fairly and in light of other reliable information, before the IRS will consider further action. In cases where the reasonable belief standard cannot be satisfied, the IRS will take no action on the basis of the information item. The agent documents his or her decisions and reasons in the centralized database.

Determinations

At this point in the process, the EO agent can make one of several determinations:

- The information does not warrant further action. In this case, the agent inputs information, including rationale, into the centralized database to close out the referral.
- The referral relates to activities that should be considered at a future date. The agent provides documentation in the database and schedules the appropriate date to re-evaluate the information.
- The referral contains characteristics that require the information to be forwarded to committee of career EO managers and agents. Each month, this committee evaluates referrals and decides whether to proceed with an examination. The committee also applies the “reasonable belief” standard and thoroughly documents its decisions in the centralized database.
- The information warrants an examination of the organization. The agent documents his or her decision and the reasons for it in the centralized database. The information item then becomes part of the examination file.

Disclosure Rules

Section 6103 of the Internal Revenue Code prohibits the IRS from disclosing whether it has initiated an examination or the results of an examination. Therefore, the IRS cannot communicate with the original source of a referral beyond the acknowledgement letter noted earlier.

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